



STATE OF MICHIGAN

RICK SNYDER
GOVERNOR

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LANSING

GARY HEIDEL
EXECUTIVE DIRECTOR

April 25, 2012

Chairman Knollenberg and Committee Members,

The Michigan State Housing Development Authority's (MSHDA) Homeownership Counseling Program (HCP) is a statewide network of non-profit housing counseling agencies, MSU Extension offices and local governmental entities that provide community-based counseling services; tailored to the needs of the individuals to help them overcome obstacles.

MSHDA strongly supports Attorney General Schuette's recommendations for how to spend Michigan's \$97 million share of the National Mortgage Servicer Settlement, particularly:

- **\$20 million recommended to be allocated toward the foreclosure avoidance efforts of MSHDA or HUD-approved non-profit counseling agencies and partner legal service providers.**
- **\$16 million recommended for victims restitution and the investigation and prosecution of the rampant mortgage and foreclosure rescue scam operators.**

MSHDA has responded to Michigan's foreclosure crisis; investing over \$10 million to stabilize Michigan households and neighborhoods since the crisis began.

- **Counseling and Legal Assistance Services**
MSHDA has paid over \$8.5 million to non-profit counseling agencies and legal aid partners that provided foreclosure prevention, loss mitigation and legal assistance services to over 40,000 families.
- **Foreclosure Prevention Call Center • 866-946-7432**
MSHDA established a toll-free foreclosure prevention call center; connecting Michigan homeowners with housing counselors, legal aid partners and valuable local resources. Since its inception call center staff have assisted over 80,000 homeowners.
- **Foreclosure Prevention Public Awareness Campaigns**
MSHDA launched four separate statewide PSA campaigns – encompassing radio, TV and print media outlets.

With no state monies appropriated toward this crisis, MSHDA has relied on federal funding and its own operating dollars. Even though the crisis continues we have seen a significant decline in federal funds, both from the U.S. Department of Housing and Urban Development's (HUD) Housing Counseling Assistance Program* and the National Foreclosure Mitigation Counseling Program (NFMC).

**Funding for HUD's Housing Counseling Assistance Program was omitted from the federal budget in FY 2011 and future funding is uncertain.*



Some questions have been raised as to why the Servicer Settlement funds should flow through MSHDA to support foreclosure counseling services, when there are unspent monies through the federal Hardest-Hit program. **To clarify any confusion that may exist, these are two entirely different programs administered by MSHDA with different allowable uses.**

- **Hardest-Hit funds directly benefit unemployed homeowners by subsidizing their mortgage payments or as rescue funds to catch up their mortgage delinquencies. None of the Hardest-Hit funds can be used to pay for counseling services.**
- **The Servicer Settlement funds would be used to support non-profit counseling agencies and legal aid partners so that they can continue to provide foreclosure prevention, loss mitigation and legal services.**

Through cost analysis, non-profit agencies have reported that their total cost to provide comprehensive foreclosure avoidance counseling and loss mitigation services ranges from \$1,500 - \$1,800 per household. Currently federal and state programs limit reimbursement to \$450 per household.

Many non-profit agencies support their counseling program using other federal or state resources, i.e. Community Development Block Grant (CDBG) funds. However these funds have been drastically reduced. When combined with a loss or reduction of other funding resources, the end result is that non-profit counseling agencies are not able to properly attract, train and retain highly skilled loss mitigation counselors.

To quickly reiterate an important point, The Urban Institute's recent evaluation of the NFMC program found that homeowners receiving counseling and legal assistance services:

- Nearly doubled the odds of modification cures for counseled homeowners compared to non-counseled ones.
- Were 67% more likely to remain current on their mortgage.

MSHDA has long-standing partnerships with the Attorney General's Office, the Office of Financial and Insurance Regulation, the Michigan Foreclosure Task Force, and the Michigan Foreclosure Prevention Project; all working together to help Michigan homeowners navigate the complexities of foreclosure prevention and loss mitigation options and protecting homeowners from wrongful rescue scam operators.

As one of the most cost effective methods in preventing foreclosures, the funding received through the National Mortgage Servicer Settlement would allow Michigan's statewide network of HUD or MSHDA-approved housing counseling agencies and legal aid attorneys to continue to provide valuable services to homeowners; those harmed most by the foreclosure crisis.

With your support, and with the concurrence of Attorney General Staff and industry partners, the \$20 million recommended to be allocated toward foreclosure avoidance efforts could be distributed through MSHDA.

MSHDA has the resources, ability and systems in place to:

- Disburse National Mortgage Servicer Settlement funds on a statewide basis;
- Track disbursements

- Capture data on demographic information and individual outcomes;
- Provide oversight to ensure funds are used for intended purposes.

In MSHDA's role to move our state ahead, we believe this crucial funding source will provide much needed resources; strengthening Michigan's families, communities and economy. We urge the committee members to support Attorney General Schuette's recommendations.

Thank you.

Jodi L. Mercer
Departmental Manager
Michigan State Housing Development Authority

The Michigan State Housing Development Authority (MSHDA) provides financial and technical assistance through public and private partnerships to create and preserve decent, affordable housing for low- and moderate-income residents and to engage in community economic development activities to revitalize urban and rural communities.

MSHDA's loans and operating expenses are financed through the sale of tax-exempt and taxable bonds as well as notes to private investors, not from state tax revenues. Proceeds are loaned at below-market interest rates to developers of rental housing, and help fund mortgages and home improvement loans. MSHDA also administers several federal housing programs. For more information, visit www.michigan.gov/mshda.

